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The Role of the Delors Committee
in the Creation of EMU:
An Epistemic Community?

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EUROPEAN UNIVERSITY INSTITUTE, FLORENCE

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ABSTRACT¹

The agreement on Economic and Monetary Union (EMU) in the European Union (EU) is a significant move in the integration process. When explaining why EMU was accepted and incorporated in the Maastricht Treaty, little attention has been given to the role of monetary experts in this process. This paper examines their role in the creation of EMU by focusing on the Delors Committee that wrote the blueprint for EMU which was inserted in the Maastricht Treaty with few amendments. The paper discusses whether it was necessary for the EMU momentum that these monetary experts held similar ideas about how European monetary integration had to proceed. Furthermore, it investigates whether the Delors Committee fits the definition of an 'epistemic community' (Haas 1992) and concludes that this is indeed the case. The paper closes by suggesting that this conceptual tool could enlarge our understanding of the role of expert committees in the process of European public policy-making.

Keywords: Central banks; Economic and Monetary Union (EMU); European integration theory; Epistemic communities; Delors Report; Maastricht Treaty.

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INTRODUCTION

Since the Heads of States and Governments decided to create an Economic and Monetary Union (EMU) at the European Council meeting in Maastricht in 1991, followed by the ratification of the Maastricht Treaty in 1993, a large number of studies have examined why Member States decided to create an EMU in the European Union (EU). In their attempt to understand the EMU process, contemporary authors have examined a number of explanatory variables such as, the role of domestic politics, certain economic ideas, the intergovernmental bargaining process, global factors, interdependence, the importance of EC institutions and the institutional framework of Member States. Individual scholars place a different emphasis on the importance of all, or a number of these factors in contributing to the momentum which culminated in the Maastricht Treaty. Yet, it is argued here that in addition to these factors one also needs to examine the process of creating the blueprint for EMU. Though there have been many studies explaining the EMU process, only limited attention has been paid to the role of knowledge, expertise, ideas and the role of expert committees in explaining the EMU process (exceptions are Cameron 1995; Dyson 1994; Dyson, Featherstone and Michalopoulos 1995; McNamara 1998). The Delors Report which set out the blueprint for EMU which was incorporated with only minor changes in the Maastricht Treaty (Artis 1992; Gros and Thygesen 1998), has not been examined carefully. The role of the so-called 'Delors Committee' has not been the subject of scrutiny. This paper addresses these issues.

It is not new to the European integration process that Member States choose to ask a group of experts to suggest a possible blueprint for increased integration or policy cooperation. In fact, many studies have displayed the Community's integration *modus operandus* as being incremental, based on technical expertise and knowledge and to be of an a-political nature. Recently several legal scholars have studied the role of expert committees in the EC decision-making process, also known as 'comitology', and emphasised the extent of the use of committees in the process (Joerges and Neyer 1997; Vos 1997). In part the widespread use of expert committees in the EU policy-making results from the fact that the European policy-making arena is quite distinct from the national one. The equivalent of a national government and parliament is virtually absent. As a result some traditional political channels, such as political parties, do not play as much of a significant role as they do in the national arena. A truly public debate on European policy-making is absent as most of the media is nationally oriented, resulting in debates about the EU being held in the national domain. Finally, as has happened to European governments more generally, European governance has gone through a process of restructuring, which has given rise to a regulatory state instead of a interventionist, redistributive state

(Majone 1997). This restructuring process has also contributed to the more frequent consultation of expert committees.

Given this specific EC/EU policy environment, the Commission plays a large role in day-to-day policy making (Nugent 1995). As that institution has only limited staff, it cannot deliver all the specialised expertise in the policy-making process. Hence, it benefits from listening to and cooperating with expert committees. Likewise, the European Council and the Council of Ministers also are confronted by these institutional restrictions (Hayes-Renshaw and Wallace 1995) and hence also need the help from expert committees. This paper seeks to explore the role of monetary experts, in particular a specific group of monetary experts, the Delors Committee, in the EMU process. The aim of the paper is to apply the epistemic community concept and to examine how it contributes to our understanding of the EMU process. The central question posed here is: Is the fact that EMU was successfully incorporated in the Treaty rooted in consensus among important monetary experts -- the Delors Committee -- about national monetary policies and thus European monetary policy? In addressing this main question three subquestions are examined: What factors does the literature on EMU attribute to explaining EMU? What was the role of monetary experts? Does the conceptual tool of 'epistemic communities' (Haas 1992), which examines the role of knowledge among experts, contribute to our understanding of the EMU process?

The structure of the paper is as follows. The next section briefly reviews the current explanations of why EMU happened, followed by a discussion of the epistemic communities approach in the three subsequent sections. The penultimate section examines whether the Delors Committee could be considered an epistemic community. Some conclusions about the role of experts in creating EMU, and the examination of the utility of the conceptual tool of the 'epistemic community' are provided in the last section.

EXPLAINING EMU

Puzzled by the acceptance of creating an EMU in the EC, many authors have investigated what caused this progress in European monetary policy-making. Clearly the historical background and changes in the global political economy generated some momentum for further monetary integration. Already in the 1970s a first EMU initiative had been launched which failed due to unfavourable international circumstances and divergence in economic and monetary policy-making in the Member States. However, towards the end of the 1970s and early 1980s it became widely accepted that there was no trade-off between inflation

and unemployment. When the European Monetary System (EMS) became operational in March 1979 Member State policy-makers stood on the eve of a change in the general monetary policy-making regime. During the 1980s monetary policies became geared towards reducing inflation, though not all central banks were equally successful in obtaining this objective. A low inflation objective became the basis of further monetary cooperation in the 1980s, especially after the French government realised it could not pursue 'socialist policies' in one country. Interestingly, it was the Finance Minister Jacques Delors, who later became the EC President and as such chaired the Delors Committee, who had taken this overnight decision.

Policy convergence in the institutional framework of the EMS also seemed to become apparent in the late 1980s. The EMS had developed quite successfully during the mid 1980s after having gone through a difficult initial period. The D-Mark became the *de facto* anchor currency, and Member State governments started to pursue policies towards low inflation. Their method was to shadow German monetary policies (see Goodman 1992). Consequently, when in the late 1980s this policy proved effective the governments of countries participating in the EMS started to view it as a 'political symbol' of successful European integration.

However, these changes alone would not have been enough to create the EMU momentum which was to emerge in the late 1980s. The launching of the Internal Market Programme contributed importantly to the renewed desire for an EMU in Europe (Vaciago 1991). As a result of the four freedoms, free movement of goods, services, persons and capital, the creation of an EMU in the EC was deemed necessary. Moreover, national policy-makers also increasingly realised that European economic interdependence, globalisation, and the growth of international capital markets reduced the room for manoeuvre in national policy-making. Large companies organised themselves in the Association for the Monetary Union in Europe (AMUE), which aimed at promoting the creation of EMU. Commission President Delors, the French President, François Mitterrand, and the German Chancellor Helmut Kohl as well as many other political leaders were very much in favour of EMU (Ross 1995: 79-88; Dinan 1994: 158-63). Jacques Delors thought a 'spill-over' momentum was needed to move the integration process forward. Already in the Single European Act a clause was incorporated stating that the Single European Market (SEM) would necessitate the creation of EMU. The link between the SEM and EMU was also at the core of an influential paper written by the German Foreign Minister Hans-Dietrich Genscher, published in February 1988, on the need for a European single currency and an independent European Central Bank (Genscher 1988). The 1988 Hanover European Council entrusted a committee chaired by President Jacques

Delors the 'task of studying and proposing concrete stages leading towards this [economic and monetary] union' (Delors Report 1989: 3).

Notwithstanding these important factors which gave rise to a renewed integration momentum, the creation of EMU still represented a major development in European integration and a substantial departure from formal national sovereignty over monetary policy and would likely affect adjacent policy areas. In the literature on EMU various authors identify one or more of the following factors as having been very important in explaining the EMU agreement: the dominance of politics over economics (*inter alia*, Minkkinen and Patomäki 1997; Eichengreen and Frieden 1994), domestic politics (Milner 1993; Jones, Frieden and Torres 1998) domestic politics and certain ideas (Marcussen 1997; McNamara 1998; Ungerer 1997), issue linkage (Martin 1993), the role of identity (Engelmann *et al.* 1997), international bargaining (Moravcsik 1998), institutional aspects (Campanella 1995; Kaufmann 1995), German reunification (Garrett 1993), the success of the EMS (Cameron 1997), the optimism surrounding the Internal Market Programme (Sandholtz 1993; Sandholtz and Zysman 1989), financial market integration (Pauly 1992), globalisation or a combination of these factors (*inter alia* Dyson 1994; Sandholtz 1993; 1996; Verdun 1995). Few stress the fact that the Delors Report, drafted mainly by central bankers, strongly resembled the eventual EMU articles in the Maastricht Treaty.

Pioneering work on the first EMU project (Werner Report 1970) which focused on the role of monetary experts was done by Rosenthal (1975). Her conclusion was that the EMU proposals materialized so quickly in the late 1960s and early 1970s because the monetary officials responsible for negotiating the Werner Report knew each other very well and had been working together over a period of many years. The same phenomenon has happened in the late 1980s when it was decided to let the Delors Committee fulfil a key role in the policy-making process.

Dyson *et al.* (1995) focus on the central bankers in the process leading up to EMU, and analyse why the central bankers were so successful in having the principle of central bank independence taken up in the Treaty. They find that none of the prevailing 'theories' explain central bank behaviour (Dyson *et al.* 1995: 475-9). They point to the need to take into account the "powerful structural forces" which have shaped central bank performance. Their conclusion is that the crucial factor in explaining central bankers' influence in the EMU process should be found in the "*structural changes* in the nature and structure of capitalism, notably the relationship between EC states and global financial markets and the phenomenon of inflation." (Dyson *et al.* 1995: 484). Hence these authors identify

the institutional arrangements in the EC, the changes in the global economy, including changed perceptions about economic and monetary policy objectives, as the primary factors which determined the EMU process.

Kenneth Dyson (1994) has written the most recent comprehensive study on EMU. His central argument is "that the EMS and EMU policy process is best understood as composed of a distinct set of interdependent bargaining relations and rules of the game, embedded in a framework of structures that they have a limited, and fluctuating, capacity to influence." (Dyson 1994: x). His book takes a 'two-level game' perspective and looks at the policy actors, the bargaining relations and what he calls 'structural power in the international political economy'. His central thesis is that the EMU process is shaped by the *'will and capacity of the central actors involved'*. Four factors influence this will and capacity. First, the actors have to operate in a 'scene', a 'two level game'.¹ Moreover, these central actors have also held certain economic beliefs. Thirdly, these actors are confronted with changing structural conditions in the international political economy, and lastly, their will and capacity to create EMU is heavily influenced by their experience with European economic and monetary integration process, notably the EMS and EMU (Dyson 1994: 10-17).

With respect to 'structural power', Dyson refers to control over a wide range of factors in the external environment (cf Strange 1988). These include, *inter alia* the control over the anchor currency, control over supply and demand of capital, control over 'economic fundamentals' and, notably, the "control over the key ideas and beliefs informing the policy process, in particular the 'capture' of the EMS policy process by economic ideas of 'sound money' and the prevalence of political beliefs about European union." (Dyson 1994: 16). In addition to the national governments, the commission and the central banks, two technical committees -- the Monetary Committee and the Committee of Central Bank governors -- are of great importance, but these committees are not examined against the framework of an epistemic community.

Finally, David Cameron (1995) has examined the role of monetary experts in the process leading to EMU. In his analysis he questions whether the process should be seen as primarily supranational or intergovernmental. His conclusion is that both types of politics were important, but transnational actors played an important role:

"[T]ransnational actors and their politics were present and influential *throughout* the development of the EMU initiative, from the first meeting of the Delors Committee in 1988 to the last meetings of the IGC nearly four years later, and in some respects and at some moments, they were *more* influential than *either* governmental or supranational actors." (Cameron 1995: 73-4, italics in the original).

The transnational actors he refers to are in fact monetary officials who were members of the Monetary Committee or the Committee of Central Bank Governors. Cameron points to the fact that these actors not only represented their national governments, but also a transnational community as they developed their own ideas during their frequent exchanges. They met one another regularly as their meetings were highly institutionalised. Cameron's line of thinking reminds us of the work done by Rosenthal on the Werner Report (1975), in which she draws similar conclusions.

EPISTEMIC COMMUNITIES

Let us now turn to an examination of the EMU process by using the conceptual tool of the 'epistemic community'. In 1992 a special issue of *International Organization* was dedicated to epistemic communities.² Peter Haas defines the concept as follows:

"An epistemic community is a network of professionals from a variety of disciplines and backgrounds, they have (1) a shared set of normative and principled beliefs, which provide a value-based rationale for the social action of community members; (2) shared causal beliefs, which are derived from their analysis of practices leading or contributing to a central set of problems in their domain and which then serve as the basis for elucidating the multiple linkages between possible policy actions and desired outcomes; (3) shared notions of validity -- that is, intersubjective, internally defined criteria for weighing and validating knowledge in the domain of their expertise; and (4) a common policy enterprise -- that is, a set of common practices associated with a set of problems to which their professional competence is directed, presumably out of the conviction that human welfare will be enhanced as a consequence." (Haas 1992: 3).

In addition to this formal definition additional characteristics are identified:

"[M]embers of an epistemic community share intersubjective understandings; have a shared way of knowing; have shared patterns of reasoning; have a policy project drawing on shared causal beliefs, and the use of shared discursive practices; and have a shared commitment to the application and production of knowledge." (Haas 1992: fn. 5).

An epistemic community can be called upon when national executives aim at achieving international policy coordination. Various factors explain their emergence in the policy-making process which Haas labels "uncertainty", "interpretation" and "institutionalization" (Haas 1992: 3). Whether international policy coordination succeeds depends heavily on the policies of other countries. Moreover the policy choices concern consequences which can only partially be anticipated. This gives rise to the desire for information which is not so much

based on purely technical knowledge but rather information which is the product of human interpretation. (Haas 1992: 4). Epistemic communities, either national or transnational, are one possible provider of such information. Because decision-makers seek their advice, which is an *interpretation* of facts, these epistemic communities contribute to the way national policy-makers formulate their interests. The transnational epistemic community, in a sense, is even more influential as its "causal beliefs" and "policy preferences" can be displayed to all national policy-makers who seek their advice.

The "uncertainty" which the decision-makers face is a result of the increasing complex and technical nature of the issues on the international agenda. These issues include among other things monetary and macroeconomic issues (Haas 1992: 12). The "uncertainty" factor is very important as it increases the incentives for the decision-makers to consult epistemic communities especially when a shock or crisis occurs (see Haas 1992: 14-6).

Who constitute an epistemic community? Excluded are a broader scientific community, or people working in the same profession and/or discipline, unless they work in accordance with their principled values. The members of the epistemic community can be distinguished from these people as they try to obtain a goal they believe in (Haas 1992: 19). Notwithstanding these observations, members of a particular subgroup of a discipline, could well form an epistemic community.³ In other words, for a knowledge-based group to be included in Haas' definition, it is important that the members share principled normative and causal beliefs. As for the influence of epistemic communities, Adler and Haas conclude that the more influential epistemic communities are in their respective nation-states, the greater the likelihood that national governments of these nation-states will endorse the epistemic communities' values and practices (Adler and Haas 1992: 371-2).

How do epistemic communities *exert influence*? Adler and Haas identify four mechanisms. First by policy innovation they frame the issue, i.e. decide the nature of the issue, the policy objectives, and at what level (in which forum) the issue should be solved. These initial choices set the stage for defining national interests. Second, policy diffusion, which refers to the mechanism with which members of epistemic communities communicate using transnational links to make their views known. The acceptance of their ideas by others across the globe, in turn, can be used to put pressure on national governments. Third, policy selection, can take place. In this case, decision makers seek support from a selected epistemic community which they know will support their policies. This approach enables the decision-makers to legitimize their policy choices by referring to the community of experts who approve of their policy choices.

Fourthly, *policy persistence*, the continuation of consensus of ideas, beliefs and goals over time among the members of the epistemic communities contributes to their credibility, and hence their authority, and thus it also determines how long an epistemic community remains influential. Finally, *policy evolution as learning*. Epistemic communities can contribute decisively to the process of learning, which is very important as the final understanding of a policy issue determines the policy outcome. (Adler and Haas 1992: 375-87).

EPISTEMIC COMMUNITIES APPROACH FOR EC POLICY-MAKING

As was mentioned above, the EC policy-making process is a healthy feeding ground for the role of expert committees. The epistemic communities approach has been used before, though not very frequently, to analyse the EC policy-making process (*inter alia* Radaelli 1995; 1996; 1997; Richardson 1996; Dudley and Richardson 1996; Wright 1997; Zito 1995; 1998) and international cooperation more generally (*inter alia* Haas 1997; Risse-Kappen 1994). These studies point to the creation of a common policy enterprise on the basis of a group of individuals with shared causal beliefs. The advantages of using such an approach is that it gives insight into the process of policy-formulation in the period prior to the final decision-taking process. The epistemic communities approach also is more clearly defined than a rivalling or complementary theoretical tool of policy networks (Börzel 1997). Yet, the disadvantages of applying Haas' definition of epistemic communities is that it is so rigid that it is difficult to ever find a community of experts that is sufficiently fulfilling Haas' conditions (Wright 1997: 41). Radaelli has warned against an "anthropomorphic" view of knowledge produced by the experts that form an epistemic community (Radaelli 1997: 169). He argues that knowledge "has less to do with specific actors than with the structure in which actors act" (*ibid*). Some authors have suggested to use an 'advocacy coalitions approach' (Sabatier 1988; 1998; Sabatier and Jenkins-Smith 1991). This approach also focuses on the role of experts in the policy making process. Sabatier argues what binds an advocacy coalition is their core of shared beliefs which need to be stable over time (at least a decade). Hence they share a common belief system.⁴ The advocacy coalition approach is most appropriate to explain the outcome of the policy process when there are two or more rival advocacy coalitions.⁵ Thus, it is not appropriate for our study of the Delors Committee, as there were no clear rivalling advocacy coalitions. Let us turn to an earlier case study of central bankers convergence of policies of the industrial states during the debt crisis of the early 1980s which used an epistemic communities approach.

CENTRAL BANKERS AN EPISTEMIC COMMUNITY?

Ethan Kapstein (1992) tries to understand why policies converged and finds the answer in the power capabilities and shared political purpose of Britain and the United States. Central bankers, who played a key role in enhancing multilateral cooperation in banking regulation, he concludes, did not fit the definition of an epistemic community as used in the special issue of *International Organization*:

"The central bankers involved in this case were a group of bureaucrats who were attempting to serve *several conflicting public and private sector interests* in an effort to *maintain if not enhance their positional power in their domestic political structures*. Unlike the policy projects of the environmentalists (...) the policy project of the central bankers (...) was not solely the product of rigorous scientific investigation. It also reflected a political decision. (...) The decision to pursue the idea of a single capital adequacy standard was not so much the product of collective technical knowledge as it was the reflection of what the British and American central bankers considered to be the 'art of the possible' given the international and domestic politics in which the debt crisis was embedded. (...) [T]here was little in the literature of regulatory theory to suggest that this was the 'best' method for strengthening the international payment system." (Kapstein 1992: 266-7).

Kapstein's conclusions that central bankers cannot be considered as an epistemic community with regard to the debt issue is partially convincing. In this case they were serving conflicting interests. It can be questioned, however, whether Kapstein's other arguments could be interpreted differently. Indeed, Adler and Haas stress that decision-makers may seek advice from the epistemic community which is willing to support their policy choices. In this scenario other epistemic communities would exist which would disagree with these policy choices. Thus, for a central banking community to be an epistemic community, there is no need for regulatory theory to suggest only one 'best' method. Moreover, the notion of the epistemic community requires the members to have a commitment to a political goal, and to interpret their knowledge in such a way that it supports their goal. In fact, as was indicated above, a purely scientific community is not an epistemic community if it does not interpret facts, and/or does not aim for a common cause.

Kapstein's analysis shows convincingly, however, that the community of central bankers was divided over their final goal during most of the 1980s, and it was only in a later stage that an accord was reached. This implies that during this period one cannot interpret the central bankers to have constituted an epistemic community. Should they, however, have been considered an epistemic community, once they *did* agree on a political goal? Kapstein discards this possibility because his analysis of the final agreement suggests it was a product of "state power and collective purpose" (Kapstein 1992: 286). Britain and the

United States were the leading forces, and Kapstein strongly doubts whether an agreement would have been reached without their leadership. It is not clear whether 'leadership' within an epistemic community has been allowed for; Haas' definition of the epistemic community does not mention anything about whether hierarchies may or may not exist within an epistemic community. However, it is hardly imaginable that an epistemic community would exist consisting of completely equal persons, or that it would not allow for the concept of 'leadership'. Ergo, Haas' definition should be clarified on this point. It would be useful to accept that within an epistemic community leadership could exist. Perhaps a certain hierarchy of its members could exist, which could give rise to some members having more and others less influence within the epistemic community.

Does the fact that Kapstein's case study of the debt crisis in the 1980s exclude the possibility that central bankers in the EC with regard to monetary policies would still *not* constitute an epistemic community? Kapstein has already pre-empted the question by setting out in his article under which conditions he would consider the central banking community an epistemic community. He identifies the need for three conditions: first, substantially more consensus on theoretical and empirical knowledge on international banking would have to emerge. Second, regulatory policies would have to become based on this consensual knowledge rather than national political ideologies. Third, "a supranational regulatory agency would probably be needed to insulate bank supervisors from domestic political pressures." (Kapstein 1992: 268).

To apply Kapstein's conditions to our case of monetary policy we only need to make minor changes in the wording of the conditions. Where Kapstein refers to "international banking" we shall insert "monetary policy". Let us now examine whether these conditions are met. First, as regards theoretical and empirical knowledge on monetary policy it appears that central bankers indeed held common views on the aims of monetary policy, namely to reach price stability. The second condition reads that "regulatory policies" would have to be based on this consensus. Again, this condition seems to have been fulfilled. The central bankers and monetary experts who drafted the Delors Report all agreed that monetary policies should be moved away from political influence. In EMU monetary authorities were not to be influenced by any political actor. To guarantee this independence monetary policies would be transferred to an independent European System of Central Banks, which was to be kept free from political influence. This brings us to Kapstein's third condition, i.e. the need for a "supranational regulatory agency" which was indeed put in place to protect the central bankers from "domestic political pressures." The politically independent ESCB perfectly fits the requirement.

THE DELORS COMMITTEE -- AN EPISTEMIC COMMUNITY?

The above discussion suggests that central bankers may constitute an epistemic community if they meet regularly in an (inter)national forum or in an institution. Let us now turn to the Delors Committee, whose task it was to study and propose concrete stages leading to the creation of EMU, and recall its composition.

The members of the Delors Committee were selected by the European Council during the Hanover Summit in June 1988. Before this decision was taken, suggestions had been made about the composition and mandate of the committee. The German Foreign Minister Genscher had suggested a committee of independent experts (Genscher 1988). The central banks wanted to be represented in this committee. However, Delors was against the idea of having the Monetary Committee or the Committee of Central Bank Governors draft a proposal. The final decision was taken at the EC Summit in Hanover.⁶ The European Council decided that the Committee chaired by President Delors would consist of the twelve central bank Presidents or Governors, "one other member of the Commission" -- Frans Andriessen, DG I -- and "three personalities designated by common agreement by the Heads of State or Government (...): Alexandre Lamfalussy, then the General Manager of the Bank for International Settlements (BIS)⁷, Niels Thygesen, a professor of economics⁸, and Miguel Boyer, president of Banco Exterior de España." (Conclusions of the European Council in Hanover, 27-28 June 1988). In early July 1988 Delors announced that he had selected Tommaso Padoa-Schioppa as the committee's rapporteur. Padoa-Schioppa had been rapporteur of an earlier Commission report (Padoa-Schioppa 1987), was a former Head of DG-II, and had worked for the *Banca d'Italia*. Following pressure from Chancellor Helmut Kohl and Bundesbank president Pöhl, who were concerned that 'German' interests would not be adequately represented, Delors appointed a second rapporteur, Gunter Baer -- a German official working at the BIS.

President Delors himself was from the very outset much involved with the committee and its task. In the summer he sent round a list of questions for discussion in the first meeting in September. These included questions about whether a common parallel or a single currency was necessary; whether a European Fund or a European Central Bank would need to be created, and if the latter be preferred, what its statutes would be; what transition stages would look like; the connection between 'economic' and 'monetary' union; the necessary macroeconomic conditions to enable a successful EMU, and finally, what institutional changes would be required to create EMU (*Agence Europe*, 12/13 September 1988, 4850, 5).

By setting the agenda in this way, Jacques Delors ignored the objections voiced earlier by the British Prime Minister, Margaret Thatcher. She explicitly opposed any institutional change. But the members of the committee did not share Thatcher's concern, not even the Bank of England Governor, Robin Leigh-Pemberton, as they were setting out a 'possible blueprint' for EMU. During the course of the committee meetings it became clear that the committee members were interested in creating a feasible blueprint, but that they would leave the political decision to the Heads of State and Governments.

The eight meetings took place on a monthly basis, at the time of the G-10 meetings of central bankers in Basel, at the BIS. During the first meeting, in Basel in September 1988, the committee held discussions on the basis of the papers prepared by Delors and his officials. Delors asked the committee members to discuss constructively the papers that were on the table. The committee members were each asked to submit papers discussion the Werner Report, the EMS etc. These papers were all discussed and annexed to the final Delors Report and included in the final publication (Delors Report 1989). With the help of the Commission and the BIS secretariat, Delors arranged a draft report to be ready for the December meeting (*Agence Europe*, 15 December 1988, 4915: 15).

During the December meeting there was a heated debate about several aspects of the draft report, and the discussion went on well into the spring of 1989. Realising that his objective had failed, i.e. to have a report agreed to during the March meeting, Delors decided to call an extra meeting in early April. The debate centred around two main controversies (Wolf 1997: 42). The first one concerned the question of whether a parallel currency could be introduced, and related questions. The second question focused on which measures would be necessary in which stage in order to obtain EMU. The French and Italian central bank governors had already been asking for a more widespread use of the ECU, and now saw EMU as potentially being able to promote its use, and also the creation of a European monetary fund (Larosière 1989). In the long run it was hoped it would be possible to create more stability vis-à-vis the dollar, but it would also give another impulse to the internal market. But it was exactly this envisaged fund that attracted opposition from the German and Dutch central bank governors in the committee (Duisenberg 1989; Pöhl 1989). During the spring it finally became clear that there was a majority against a parallel currency. The reason being that a parallel currency made would render it more difficult to ensure stability (Wolf 1997).

Delors was in favour of an aim of a single currency and a European Central Bank flanked by coordination of macroeconomic policies of the member states. With the support of Pöhl, Duisenberg and Leigh-Pemberton this became a

clear objective in the report. Yet, the committee decided that the final political decision about these matters should remain with the national governments (Gros and Thygesen 1998: 401-2; Verdun 1995). After these issues were settled, the desirable form of institutionalisation of the common monetary policy remained to be decided. The committee was surprisingly quick in deciding that it would require a federal central bank system, which would need to be independent, and would aim at price stability (see also Ungerer 1997: 200). Pöhl had set out these criteria in his paper (Pöhl 1989). There was almost no controversy among central bankers about the German 'model' to be the most useful model -- by contrast there still was controversy among national heads of state and governments (*Agence Europe*, 22 February 1989, 4960: 3; and 25 February 1989, 4963: 5). But the German and Dutch central bank governors stressed that by taking the German model as a point of departure, there would still remain some room for manoeuvre for national governments (Gros and Thygesen 1998: 404).

During the March meeting the committee displayed a strong disagreement concerning the transition period to EMU. The core controversy was whether participation in the final stage of EMU would be obligatory with fixed dates or voluntary after certain conditions were met. This automatic move to the third stage was suggested so that the weaker countries would have some security about the EMU really taking place after they would have made serious re-adjustments. Simultaneously the debate centred around what the institutional arrangements should comprise of in the second stage (*Financial Times* 15 March 1989: 3; Gros and Thygesen 1998 403-6). But these were minor issues compared to the core consensus on the direction of monetary policy, and the institutional framework in which EMU would operate. Eventually the Committee decided not to insert fixed dates in the report, but rather to identify a three staged route to EMU. It also decided that there would be binding rules on the annual budgetary deficits (Delors Report, 1989; *Financial Times* 18 April 1989: 24).

Given the importance that this committee had in drafting the EMU blueprint, could it be argued that here was an influential epistemic community at work? What kind of expertise did this community offer, and did it act as the theoretical framework suggests it would? The report was drafted in a relatively short time, and adopted unanimously. However, the Delors Committee had two members who dominated the sessions: President Delors and the Bundesbank President Karl-Otto Pöhl (on the dominance of Pöhl see also Dyson 1994: 129-30) -- as had been the case with the central banking community in the Kapstein analysis, the Delors Committee was not without hierarchy.

Not all expert committees will *automatically* form an epistemic community. In order for the Delors Committee to be an epistemic community it

needs to fulfil the four conditions provided in the definition. First, the committee shared a "set of normative and principled beliefs, which provide[d] a value-based rationale for the social action of community members". They all believed that further economic and monetary integration would be beneficiary to the EC, provided, of course, this development was based on certain principles.

Second, they "shared causal beliefs, which are derived from their analysis of practices leading or contributing to a central set of problems in their domain and which then serve as the basis for elucidating the multiple linkages between possible policy actions and desired outcome". This condition is also fulfilled by the committee. Their causal beliefs, based on their experience with the EMS and monetary policy in general, were fourfold. First, they believed that inflation was detrimental to growth. Second, stable exchange rates were necessary to ensure the proper operation of the Internal Market. Third, the *de facto* dominance of the D-Mark as the anchor currency, and hence the dominance of the Bundesbank in determining European monetary policies was politically unsatisfactory. Fourth, even though the Committee favoured a new European monetary institution, it was considered undesirable that an economic authority would be established at the supranational level. Rather, the Delors Committee wanted national governments to remain fully responsible for national macroeconomic and fiscal policies. Hence, the need for multiple linkages -- binding rules would be necessary to contain budget deficits (Delors Report 1989).

The third condition "shared notion of validity" resembles the previous condition, and is also fulfilled. The Delors Committee members had similar criteria for weighing and validating knowledge. The low inflation objective was considered the most important objective, and an independent central bank was needed to safeguard this objective and to ensure policy effectiveness.

Finally, the fourth condition "a common policy enterprise" obviously exists as the Committee members were selected for this Committee *exactly because* they had the 'task of studying and proposing concrete stages leading towards this [economic and monetary] union' (Delors Report 1989: 3). Hence drafting the EMU blueprint was their common policy enterprise.

Moving beyond the four conditions set out in the definition it appears that the Delors Committee also satisfies the other reasons for the emergence of an epistemic community. It emerged because national executives were aiming at achieving international monetary policy coordination. Moreover, if cooperation were to happen, the national executives would be confronted with "uncertainty", "interpretation" and "institutionalization". It would involve "uncertainty" as it would not be guaranteed whether Member State governments would *really* be

committed to the common policy goals, i.e. low inflation, exchange rate stability, and, in support of these two goals, reducing budgetary deficits. "Interpretation" would occur as soon as the EMU arrangement would become taken up in the amended Treaty of Rome. The time-table and formulation of the convergence criteria was not done by the central bankers in the Delors Report, but was merely hinted to. They were drafted by the monetary committee and agreed to at the eleventh hour at the Maastricht negotiations (Italianer 1993). Finally, "institutionalization" of monetary policies and of limits on budgetary policies was, of course, the ultimate aim of the EMU project.

The experts that made up the Delors Committee were part of a wider group of experts that considered monetary policy to be most effective if conducted by an independent central bank, and be conducted most effectively if price stability was considered its main objective. The opinion of these particular experts was considered important, not only because of their 'objective knowledge' about monetary matters, but also because of their position, i.e. being central bank presidents or, in the case of the independent experts, being prominent monetary experts. Their institutional position and prior record contributed importantly to how their recommendations were valued by the outside world. In this sense the Delors Committee consisted of experts that were authoritative figures in the domestic arena, and whose expertise on monetary matters was widely recognised, due to their institutional position. These monetary experts were not just any random group of experts. They were carefully selected in order to be authoritative and credible actors both in the domestic and the European arena (*cf* Adler and Haas 1992: 371-2). Moreover these actors did not necessarily reproduce knowledge for the sake of it; they also produced knowledge, i.e., created their blueprint as they went along. Hence the members of the epistemic community operated using both the advantages of their objective expertise and their institutional position, i.e. the structure in which they operated (*cf* Radaelli 1997: 169).

Let us now turn to the four ways in which an epistemic community can exert influence according to Haas (1992). First, *policy innovation* -- indeed the Delors Committee decided the nature of the issue and the policy objectives. It decided to have a single currency rather than a parallel currency, to set up a European Central Bank rather than a European Monetary Fund, and it determined that the ECB should be politically independent and aim at price stability. It also decided that the European Council should take the political decision on these issues. *Policy diffusion* occurred in the Delors Committee meetings. Transnational links were used to communicate the opinion of the experts. *Policy selection* occurred both prior to and after the selection of the Delors Committee members. The choice made by the European Council to have central bankers

draft the EMU blueprint implied that a independent European Central Bank would likely come out of the process. Yet the national governments had an after the fact decision when adopting the Delors Report. *Policy persistence* had occurred by having the experience of the 1980s, and will prove itself during the 1990s and beyond depending on whether central bankers remain convinced of their choices of the EMU regime. *Policy learning* in the 1980s was a necessary condition without which EMU would not have been possible.

Now, how did the national executives benefit from consulting this particular epistemic community? To start with, when the European Council requested the Committee to investigate the possibility of creating an EMU, not all Member State governments were in support of its creation. Notably the British government was very much opposed to the whole project. Though it may seem puzzling to some as to why the British government agreed to the investigation of a possible road to EMU, the British themselves claimed the Report would not imply they would accept the policy recommendations; it was merely a theoretical exercise.⁹ The main reason why the British government did not oppose the drafting of an EC EMU blueprint was that they feared that West Germany, France and the Benelux could form an EMU on a multilateral basis, which would eliminate British influence over the process.

Thus, the governments in favour of EMU would benefit from a study carried out by a committee of monetary experts. Second, the Member State governments knew that it would still be highly controversial to introduce an Economic and Monetary Union in the European Community, as it implied institutionalising a monetary regime that thus far had been dominated *de facto* by German monetary policies, and the strength of the D-Mark. The very fact that Member State governments anticipated the fact that the German monetary regime could well become the core of European monetary policies implied that they also knew that if a European Central Bank (ECB) were to be set up, it would likely be modelled on the Bundesbank, i.e. become a politically independent central bank. The governments who held more reservations to this model (e.g. Spain and the United Kingdom) found themselves confronted with the successful achievement of low inflation in Germany and in countries which had pegged their currencies close to the D-Mark -- an objective which they themselves tried anxiously to reach as well. And again for these countries, the absence of a European agreement could well imply that several countries could go ahead and implement a single currency zone outside on a multilateral basis outside the framework of the EC. The prospect of having a say in the setting up of the scheme, and possibly the prospect of staying outside such a scheme, was a point of major concern to countries such as Spain and the UK. Therefore, these countries were willing to make some compromises to their original positions. Moreover, the fact

that the Delors Committee of experts would decide a feasible blueprint for EMU, facilitated the explanation at home of agreeing to the selected type of EMU which was based strongly on the German model. Hence, it was very convenient for all parties to give the task of initiating policy to a group of central bankers and independent specialists, and have them suggest the ECB's independent status and its mandate. This was important especially because, as was mentioned above, most EC central banks in fact were still obliged to accept instructions from their national governments. Finally, as was also mentioned above, no political consensus could be found among Member State governments on accepting a macro-economic or fiscal authority to 'flank' the monetary institution (see also Verdun 1996). A group of central bankers would be an epistemic community *unlikely* to recommend the need for such an institution to be introduced at the European level.

EVALUATING THE UTILITY OF THE EPISTEMIC COMMUNITIES CONCEPT FOR THE CASE OF EMU

It can be concluded here that the Delors Committee operated as the definition of an epistemic community suggests. National governments sought a body of experts who could back up their policy choice, and they could use the experts' collective knowledge and advise to support their decisions. Without the report of the experts, national governments would remain very suspicious about the motives and goals of other national governments.

Does this role of an epistemic community in the process of creating EMU add to the literature on EMU as set out in Section Two above? In other words, has the Delors Committee not just prepared a decision which actually resulted from traditional international bargaining, or aimed at solving domestic problems, or to tackle the problems related to the global economy and the unmanageability of the domestic economy? The analysis provided here *does not* suggest that the Delors Committee was a political actor which stood "above" the political struggle between nation states. It was asked its advice (i.e. how to create EMU in the EC) *precisely because* national decision makers needed extended legitimacy and knowledge about how to make the next step in international cooperation. In that sense considering the Delors Committee as an epistemic community helps us understand strategies used to tackle the 'two levelled' nature of the policy-making process; bargaining that takes place between states and legitimize policy decisions at the domestic level. For both these levels, using the knowledge from the epistemic community proved useful. Furthermore, a necessary condition was that the central bankers had all gone through significant monetary policy learning, which meant that they could also agree on a single monetary policy.

Finally, the role of global factors and changing perception of the global economy implied that national executives were disillusioned about independent uncoordinated policy decisions, and were hence interested in a common policy. Hence, the central bankers could only be given such an important and authoritative voice because Member States realised that economic interdependence implied that their room for manoeuvre to solve domestic problems in isolation from others, or without coordinating policies with surrounding countries, appeared increasingly limited.

- This paper has given an affirmative answer to its initial question whether consensus among monetary experts was necessary for the progress towards EMU. The conceptual tool of the epistemic community was found to be very useful. However, when applying the definition and re-examining Kapstein's earlier reservations on whether central bankers could be considered an epistemic community, it was found that two amendments of the original definition (Kapstein 1992; Haas 1992: 3) are needed. First, even though monetary experts have moved ahead towards the creation of EMU because there was consensus among central bankers, this strategy also served *diverging national interests*.
- Second, within the epistemic community it is possible to have one or more *dominating* members, or a certain *hierarchy*, or some kind of *leadership*.

This paper has shown that in order to improve our understanding of the process of European economic and monetary policy-making it is worth studying a committee of monetary experts. It would be interesting to see whether other expert committees in the Community can be regarded as epistemic communities as well and can help to explain the process of European public policy-making more generally.

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NOTES

1. On two level games see Putnam (1988) and Evans, Jacobson and Putnam (1993).
2. The introductory article is found in Haas (1992) and the concluding article in Adler and Haas (1992). The papers were reprinted in P.M. Haas (1997). The concept of an epistemic community was originally introduced by John Gerald Ruggie (1975), who had borrowed from Michel Foucault (1973) the term 'episteme' to refer to "a dominant way of looking at social reality, a set of shared symbols and references, mutual expectations and a mutual predictability of interests". (Ruggie, 1975: 570). In this early article Ruggie gives no clear definition of an epistemic community. However he does state that the epistemic community may play interrelated roles, which influence its members' perception of social reality. Epistemic communities are called upon especially to settle international issues when unilateral or bilateral agreements fail. Epistemic communities then contribute to collective arrangements. They set the rules of behaviour of collective responses to new situations.
3. The example he gives is that economists form a profession, whereas "Keynesians" can be considered an epistemic community if they hold similar beliefs, views, ideas, goals and so on (Haas, 1992: 19). Applied to our case this means that 'central bankers' would thus also *not* necessarily form an epistemic community. However, 'central bankers who favour an EMU' *could*, by contrast, constitute an epistemic community.
4. The approach is usefully applied to the case of roads policy in the UK by Dudley and Richardson (1996) and to the EU policy-making process in particular regarding taxation by Radaelli (1995: 1996; 1997).
5. For an excellent account of the Advocacy Coalition approach, including its usage and applicability, see Sabatier (1998).
6. One of the Members of the Committee was only during the European Council approached by Delors and asked whether he would be willing to serve on the Committee (member of the Delors Committee, interview with the author, October 1996). Gros and Thygesen consider the choice of this committee as part of a compromise package which they describe as resulting from 'an understanding between Chancellor Helmut Kohl and President Jacques Delors' (Gros and Thygesen 1998: 400).
7. He was subsequently President of the European Monetary Institute, the predecessor of the European Central Bank.
8. Niels Thygesen had been supportive of the European Economic Monetary integration objective for many years. In 1975 he was one of nine well-known economists who signed what was called 'The All Saints' Day Manifesto for European Monetary Union', which appeared in *The Economist* on 1 November 1975. It was an attempt to relaunch EMU by introducing suggesting the introduction of a parallel currency.
9. In fact, after the publication of the Delors Report the British Chancellor of the Exchequer, Nigel Lawson, immediately announced that the Report was totally unacceptable as it implied a transfer of sovereignty which the UK government would not support.

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